



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D C 20548

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SEPTEMBER 7, 1984

B-114891

The Honorable Augustus F. Hawkins  
Chairman, Committee on House Administration  
House of Representatives

Dear Mr. Chairman:

Subject: Examination of the House of Representatives  
Restaurant Revolving Fund's Financial State-  
ments for the Fiscal Years Ended October 1,  
1983, and October 2, 1982 (GAO/AFMD-84-60)

Pursuant to the September 12, 1983, request from the Honorable Ed Jones, Chairman, Subcommittee on Services, Committee on House Administration, we have examined the balance sheets of the House of Representatives Restaurant Revolving Fund as of October 1, 1983, and October 2, 1982, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Restaurant Revolving Fund as of October 1, 1983, and October 2, 1982, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements applied on a consistent basis.

Enclosures I and II contain our report on internal accounting controls and compliance with laws and regulations, and our comments on the House of Representatives Restaurant Revolving Fund's operations. Enclosures III through VI present the Fund's financial statements and accompanying notes for fiscal years 1983 and 1982.



125083

Sincerely yours,

*for Henry Eschwege*  
Comptroller General  
of the United States

Enclosures

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REPORT ON INTERNAL ACCOUNTING CONTROLS  
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the House of Representatives Restaurant Revolving Fund for the years ended October 1, 1983, and October 2, 1982. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting control, and our review of compliance with laws and regulations for the year ended October 1, 1983.

As part of our examination, we made a study and evaluation of the House Restaurant Revolving Fund's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the House Restaurant Revolving Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified below.

For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- receipts,
- disbursements,
- inventories, and
- receivables.

Our study included all of the control categories listed above.

The management of the House Restaurant Revolving Fund is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the House Restaurant Revolving Fund taken as a whole or on any of the categories of controls identified in the third paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

As part of our examination we also tested the House Restaurant Revolving Fund's compliance with applicable laws and regulations. In our opinion, the House Restaurant Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the House Restaurant Revolving Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

HOUSE OF REPRESENTATIVES RESTAURANTREVOLVING FUND

As of October 1, 1983, House Restaurant facilities consisted of (1) three cafeterias (one each in the House Annex No. 2 and the Longworth and the Rayburn Buildings), (2) the congressional dining room in the House wing of the Capitol, (3) catering services in the Rayburn and Longworth Buildings, and (4) four carryouts (one each in the Capitol, and the Longworth, Cannon, and Rayburn Buildings). Also, there were five tobacco and candy stands (two in the Capitol and one each in the House Annex No. 2 and the Longworth and Rayburn Buildings). During fiscal year 1983, the Restaurant served 3,389,207 customers--a 2.7 percent increase compared to fiscal year 1982.

For the fiscal year ended October 1, 1983, the Revolving Fund's net income was \$274,741. The net income for the fiscal year ended October 2, 1982, was \$289,617.

Comparisons of operating results for the 2 fiscal years showed that the Revolving Fund's net results on food operations decreased from a profit of \$71,996 in fiscal year 1982 to a loss of \$155 in fiscal year 1983. This change was mainly due to increased food costs and operating expenses relative to sales. During 1983, net income from tobacco stand sales increased \$58,086--from \$192,184 to \$250,270. This increase was due to increased sales and reduced operating expenses.

A comparison of sales, commissions, and operating results for the various Restaurant activities during fiscal years 1983 and 1982 is presented as note 3 to the financial statements.

Funds appropriated to the Architect of the Capitol are used to purchase restaurant equipment and to pay for either improvements or changes in the facilities. The cost of these items, however, is not recorded in the House Restaurant Revolving Fund accounts. For additional information, see note 1 to the financial statements.

HOUSE OF REPRESENTATIVES  
RESTAURANT REVOLVING FUND  
BALANCE SHEET

ASSETS	<u>October 1, 1983</u>	<u>October 2, 1982</u>
<b>CURRENT ASSETS:</b>		
Cash with U.S. Treasury	\$1,154,710	\$830,352
Undeposited receipts (note 1)	12,330	61,796
Petty cash and change funds	<u>14,875</u>	<u>14,275</u>
	\$1,181,915	\$ 906,423
Prepaid expenses	15,646	12,852
Accounts receivable (note 2)	336,944	280,738
Inventory of food, beverages, merchandise, and supplies, at cost	329,869	328,399
Inventory of china, glassware, and silverware	<u>250,849</u>	<u>228,069</u>
Total current assets	<u>2,115,223</u>	<u>1,756,481</u>
Total assets	<u>\$2,115,223</u>	<u>\$1,756,481</u>
<b>LIABILITIES AND GOVERNMENT EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Due vendors	\$ 410,417	\$342,377
Due to House Finance Office	14,875	14,275
Net payroll and benefits	157,621	150,747
Federal and state withholding taxes	33,333	35,491
Employees' accrued leave	<u>187,571</u>	<u>176,926</u>
Total current liabilities	<u>803,817</u>	<u>719,816</u>
Total liabilities	<u>\$ 803,817</u>	<u>\$ 719,816</u>
<b>GOVERNMENT EQUITY:</b>		
Contributed capital	50,000	50,000
Capitalization of china, glassware, and silver- ware	130,159	130,159
<b>Operating funds:</b>		
Balance at beginning of year	856,506	566,889
Net income (encl. IV)	<u>274,741</u>	<u>289,617</u>
Total equity	<u>1,311,406</u>	<u>1,036,665</u>
Total liabilities and government equity	<u>\$2,115,223</u>	<u>\$1,756,481</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUNDSTATEMENT OF OPERATIONS

	Years ended			
	October 1, 1983		October 2, 1982	
	Amount	Percent of sales	Amount	Percent of sales
SALE OF FOOD:				
Regular services	\$4,718,897	68.7	\$4,602,008	68.7
Catering	<u>2,147,239</u>	<u>31.3</u>	<u>2,094,362</u>	<u>31.3</u>
Total (note 3)	6,866,136	100.0	6,696,370	100.0
Cost of food sold	<u>2,479,921</u>	<u>36.1</u>	<u>2,376,220</u>	<u>35.5</u>
GROSS PROFIT	<u>4,386,215</u>	<u>63.9</u>	<u>4,320,150</u>	<u>64.5</u>
OPERATING EXPENSES: (note 1)				
Salaries and wages				
Straight time	2,309,521	33.6	2,309,659	34.5
Overtime	52,667	.8	71,889	1.1
Leave	184,130	2.7	147,154	2.2
Employee meals	53,647	.8	90,728	1.4
Employee benefits	299,571	4.4	262,160	3.9
Administrative costs (note 4)	284,465	4.1	243,419	3.6
Laundry	102,134	1.5	88,890	1.3
Paper supplies	216,067	3.1	202,134	3.0
Cleaning supplies	82,436	1.2	84,574	1.3
Miscellaneous	114,425	1.7	94,220	1.4
Replacement of china, glassware, and silverware	86,145	1.3	81,186	1.2
Commissary costs	78,835	1.1	59,943	0.9
Contract labor (note 5)	<u>522,327</u>	<u>7.6</u>	<u>512,198</u>	<u>7.6</u>
Total	<u>4,386,370</u>	<u>63.9</u>	<u>4,248,154</u>	<u>63.4</u>
PROFIT OR (LOSS) ON FOOD OPERATIONS	(155)	-	71,996	1.1
TOBACCO AND CANDY STAND MERCHANDISE:				
Sales (note 3)	954,442	100.0	866,391	100.0
Cost of sales	<u>639,048</u>	<u>67.0</u>	<u>592,850</u>	<u>68.4</u>
GROSS PROFIT	315,394	33.0	273,541	31.6
TOBACCO AND CANDY STAND LABOR AND BENEFITS (note 6)	<u>65,124</u>	<u>6.8</u>	<u>81,357</u>	<u>9.4</u>
INCOME FROM TOBACCO AND CANDY STAND OPERATIONS	<u>250,270</u>	<u>26.2</u>	<u>192,184</u>	<u>22.2</u>
VENDING MACHINE COMMISSION	<u>24,617</u>		<u>23,712</u>	
MISCELLANEOUS INCOME	<u>9</u>		<u>1,725</u>	
NET INCOME FOR THE FISCAL YEAR	<u>\$ 274,741</u>		<u>\$ 289,617</u>	

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUNDSTATEMENT OF CHANGES IN FINANCIAL POSITIONFISCAL YEARS ENDED OCTOBER 1, 1983, AND OCTOBER 2, 1982

	<u>October 1, 1983</u>	<u>October 2, 1982</u>
FUNDS PROVIDED:		
Net income	\$274,741	\$289,617
Total	<u>\$274,741</u>	<u>\$289,617</u>
FUNDS APPLIED:		
Increase in working capital	\$274,741	\$289,617
Total	<u>\$274,741</u>	<u>\$289,617</u>

ANALYSIS OF INCREASES AND DECREASES IN WORKING CAPITAL

	<u>October 1, 1983</u>	<u>October 2, 1982</u>
WORKING CAPITAL CHANGES:		
Funds with U.S. Treasury	\$324,358	\$229,575
Undeposited receipts	(49,466)	7,811
Petty cash and change funds	600	(5,700)
Prepaid expenses	2,794	4,892
Accounts receivable	56,206	48,711
Inventory of food, beverages, merchandise, and supplies	1,470	49,493
Inventory of china, glassware, and silverware	22,780	(4,732)
Due vendors	(68,040)	(6,967)
Due to House Finance Office	(600)	(14,275)
Net payroll and benefits	(6,874)	(31,870)
Federal and state withholding taxes	2,158	(3,911)
Employees' accrued leave	(10,645)	16,590
Increase in working capital	<u>\$274,741</u>	<u>\$289,617</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES RESTAURANTREVOLVING FUNDNOTES TO FINANCIAL STATEMENTSFISCAL YEARS ENDED OCTOBER 1, 1983, AND OCTOBER 2, 1982

## 1. Significant Accounting Policies

Revenues are recognized at the time of sale for food and tobacco, and at the time of receipt for vending machine commissions. All cash is sent to the House Finance Office for deposit in the U.S. Treasury and credit to the House Restaurant Revolving Fund for use in operating the various restaurant facilities.

The statements do not include the cost of equipment and furnishings acquired with funds appropriated to the Architect of the Capitol or the cost of certain benefits and services, such as space, building repairs and maintenance, utilities, garbage disposal, menus and forms printed by the Government Printing Office, and services of the staffs of the Committee on House Administration and its Subcommittee on Services, all of which are furnished to the Restaurant without charge.

Inventories are stated at cost using the first-in, first-out method of valuation.

2. Accounts receivable are billed at the end of each month. Balances as of September 30, 1983, amounted to \$311,624, about 14.2 percent more than the September 30, 1982, balances. A comparison of the accounts receivable for fiscal years 1983 and 1982 follows.

<u>Days outstanding</u>	<u>September 30, 1983</u>		<u>September 30, 1982</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$126,342	40.5	\$121,341	44.5
31 to 60	100,805	32.4	85,984	31.5
61 to 90	23,347	7.5	14,836	5.4
Over 90	<u>61,130</u>	<u>19.6</u>	<u>50,660</u>	<u>18.6</u>
Total	<u>\$311,624</u>	<u>100.0</u>	<u>\$272,821</u>	<u>100.0</u>

As of December 31, 1983, 82 percent of the September 30, 1983, accounts receivable balances had been collected.

The Restaurant accounting office periodically prepares a list of outstanding accounts and submits the list to the Subcommittee on Services. During the year, the staff of the Subcommittee on Services mailed collection letters to customers whose accounts were delinquent 60 days and telephoned those whose accounts were delinquent 90 days to encourage payment.

3. A comparison of sales, commissions, and operating results for the various Restaurant activities during fiscal years 1983 and 1982 follows.

	Fiscal 1983		Fiscal 1982	
	Sales and commis- sions	Operating income or (loss)	Sales and commis- sions	Operating income or (loss)
<b>Food:</b>				
Congressional dining room (note a)	\$ 558,015	\$(437,092)	\$ 571,324	\$(418,609)
Cafeterias:				
Longworth Building (note b)	1,096,601	(90,742)	1,060,828	(143,775)
Rayburn Building (note c)	995,657	(68,592)	1,048,526	(27,825)
Annex No. 2 (note d)	882,271	42,603	809,198	52,919
Carryout service:				
Longworth Building	386,014	54,161	363,121	53,281
Cannon Building	615,482	113,776	604,904	130,412
Rayburn Building	450,631	89,367	343,869	54,314
Capitol	162,298	(10,982)	202,363	744
Catering service:				
Rayburn Building	1,306,115	214,003	1,271,829	272,339
Longworth Building	413,052	96,236	420,408	109,418
Commissary (note e)	-	(2,893)	-	(11,222)
Total	<u>\$6,866,136</u>	<u>\$ (155)</u>	<u>\$ 6,696,370</u>	<u>\$ 71,996</u>
<b>Tobacco and candy stands:</b>				
Congressional dining room	38,885	9,924	36,468	6,515
Cafeterias:				
Longworth Building	432,855	103,225	390,465	84,846
Rayburn Building	193,266	43,441	181,799	27,996
Annex No. 2	253,737	69,232	224,358	54,746
Carryout service:				
Capitol	35,699	13,227	33,301	11,463
Commissary (note e)	-	11,221	-	6,618
Total	<u>\$ 954,442</u>	<u>\$ 250,270</u>	<u>\$ 866,391</u>	<u>\$ 192,184</u>
Vending machine commissions	<u>24,617</u>	<u>24,617</u>	<u>23,712</u>	<u>23,712</u>
Miscellaneous income	<u>9</u>	<u>9</u>	<u>1,725</u>	<u>1,725</u>
Total	<u>\$7,845,204</u>	<u>\$ 274,741</u>	<u>\$ 7,588,198</u>	<u>\$ 289,617</u>

a/Includes catering sales of \$191,634 for fiscal year 1983 and \$170,446 for fiscal year 1982.

b/Includes catering sales of \$11,374 for fiscal year 1983 and \$14,684 for fiscal year 1982.

c/Includes sales of food to the Rayburn catering service of \$224,923 for fiscal year 1983 and \$216,950 for fiscal year 1982.

d/Includes catering sales of \$141 for fiscal year 1983 and \$46 for fiscal year 1982.

e/Serves as restaurant system's receiving and distribution unit.

4. Administrative costs for the fiscal year ended October 1, 1983, consist of straight time - \$236,478, leave expense - \$19,613, employee meals - \$2,828, and employee benefits - \$25,546.
5. Represents payments to persons working as independent contractors in catering operations on a nonscheduled basis and not as House Restaurant employees.
6. Tobacco and candy stand labor and benefits for the fiscal year ended October 1, 1983, consist of straight time - \$43,564, overtime - \$773, leave expense - \$2,979, employee meals - \$723, and employee benefits - \$6,229. Also, commissary labor and benefits of \$10,856 were included in the tobacco and candy stand costs.